



**NOTES**

# SOCIAL SCIENCE

(ECONOMICS)

## SECTORS OF THE INDIAN ECONOMY



**REVISION NOTES  
CHAPTERWISE &  
TOPICWISE**

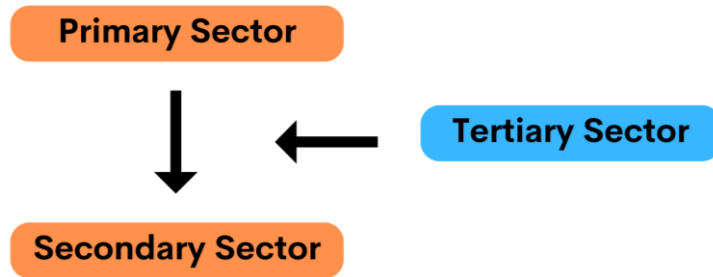
## Chapter 2: Sectors of Indian Economy

### Concepts Covered:

1. **Sectors of Economic Activities**
  - Primary Sector
  - Secondary Sector
  - Tertiary Sector
2. **Comparing the Three Sectors National Development**
  - How to calculate goods and services and know total production in each sector?
    - GDP
  - Historical Changes in Sectors
3. **Primary, Secondary and Tertiary Sector in India**
  - Rising importance of the tertiary sector in production
  - Where are most of the People Employed?
    - Underemployment/disguised unemployment.
  - How to Create More Employment?
    - MGNREGA, 2005
4. **Division of Sectors as Organised and Unorganised**
  - Organised and Unorganised sector comparison
  - How to protect workers the in the unorganised sector
5. **Sectors in terms of Ownership: Public and Private Sector**
  - Why is government needed to spend?
6. **Mind Map**  
(Colourful & Interactive/ Complete All Concept Covered)
- Practice Questions (All Topics Available)**

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## SECTORS OF ECONOMIC ACTIVITIES



## SECTORS OF INDIAN ECONOMY

## SECTORS OF ECONOMIC ACTIVITIES



### Primary Sector

- Activities that are undertaken by directly using natural resources are called primary sector activities.
- When we produce a good by exploiting natural resources, it is an activity of the primary sector.
- Primary sector, it forms the base for all other products that we subsequently make.
- Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sector.



### Secondary Sector

- The secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity.
- This sector gradually became associated with the different kinds of industries that came up, it is also called as industrial sector.



### Tertiary Sector

- These are activities that help in the development of the primary and secondary sectors.
- These activities, by themselves, do not produce a good but they are an



**SECTORS OF INDIAN ECONOMY****SECTORS OF ECONOMIC ACTIVITIES**

aid or a support for the production process.

- Since these activities generate services rather than goods, the tertiary sector is also called the service sector.
- The nature of tertiary sector is ever expanding.
- Transport, storage, communication, banking, trade are some examples of tertiary activities.



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## SECTORS OF INDIAN ECONOMY

### COMPARING THE THREE SECTORS NATIONAL DEVELOPMENT

## COMPARING THE THREE SECTORS NATIONAL DEVELOPMENT

**How to calculate goods and services and know total production in each sector?**

### Sectors of economy

In manufacturing from Nails to Cars:

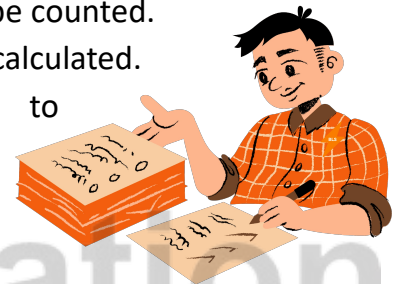
- Large number of goods and services are produced.
- Huge employment is generated.
- But which sector contributes what in economy?



**Therefore, to get around this problem economists suggest that the values of goods and services should be used rather than adding up the actual numbers.**

While comparing and calculating various sectors of economy Value is used and not the quantity.

- Not every good (or service) that is produced and sold needs to be counted.
- The value of only “final goods and services” are to be included/calculated.
- Value of intermediate goods and services are not, to include/calculated. Because the value of intermediate goods and services are already in final goods and services.



### GDP (Gross Domestic Product)

**The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year.**

+

**The sum of production in the three sectors gives what is called the Gross Domestic Product (GDP) of a country.**

GDP is the value of all final goods and services produced within a country during a particular year.

Mammoth task of measuring GDP.

**Undertaken by a central government ministry.**

This Ministry, with the help of various government departments of all the Indian states and union

## SECTORS OF INDIAN ECONOMY

## COMPARING THE THREE SECTORS NATIONAL DEVELOPMENT

territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

### Historical Change in Sectors

#### Primary Sector

- Initial Stage
- Technological Improvement and Increase in production
- Many people could now take up Other activities

#### Secondary Sector

- New methods of manufacturing
- Coming up and expanding of factories
- Dominance of secondary sector

#### Tertiary Sector

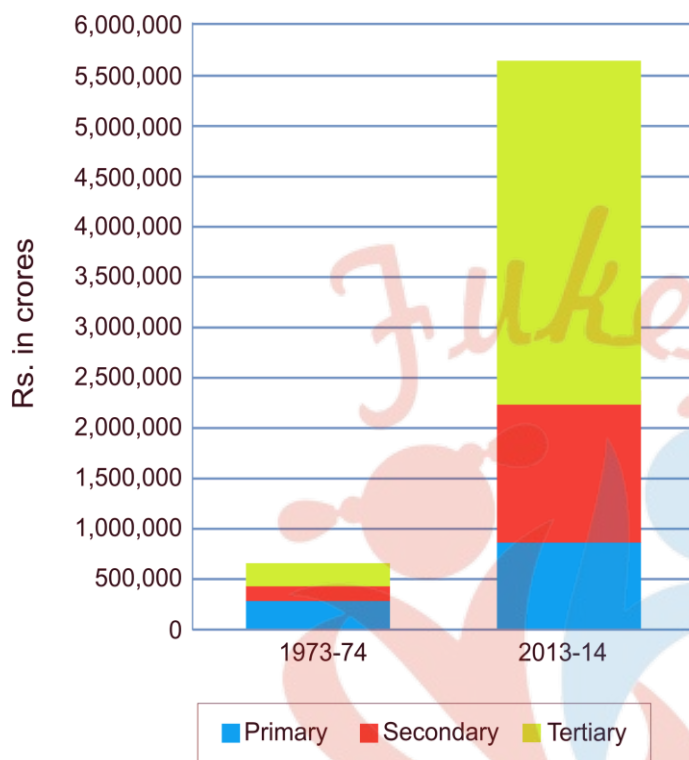
- In the past 100 years there has been a further shift from Secondary to tertiary sector in developed countries
- The Service sector has become the most important in terms of total production
- This is the general pattern observed in developing countries



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## SECTORS OF INDIAN ECONOMY

## PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA

PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA**Graph 1 : GDP by Primary, Secondary and Tertiary Sectors****Rising importance of the tertiary sector in production**

Reasons behind the rising importance of the tertiary sector in production are:-

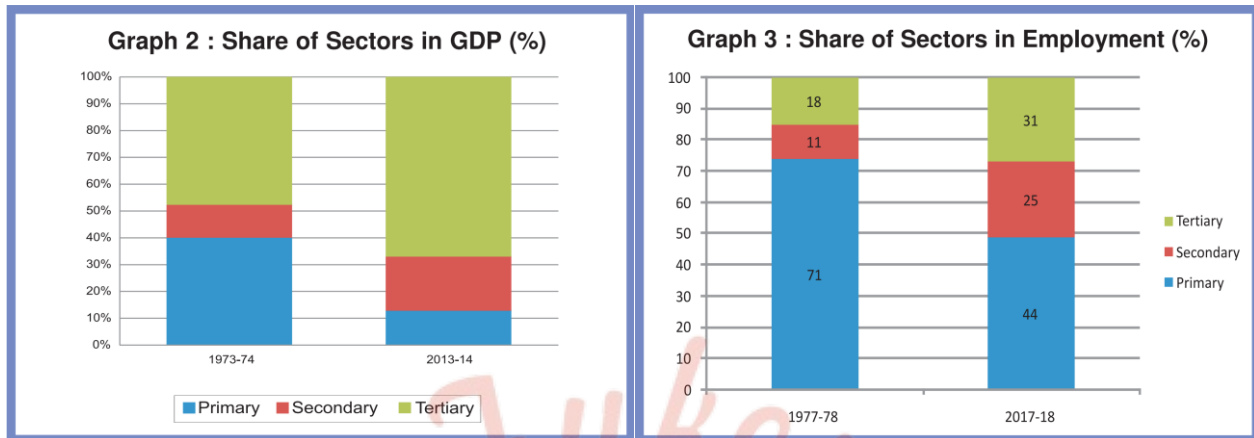
1. Some services are basic services (hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc). In a developing country, the government has to take responsibility for the provision of these services.
2. The development of agriculture and industry leads to the development of services such as transport, trade, storage.
3. As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc.
4. Over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.



## SECTORS OF INDIAN ECONOMY

### PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA

#### Where are most of the People Employed?



The shift in the GDP is not same to the share in the employment.

- It is because not enough jobs were created in the secondary and tertiary sectors.
- Even though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times.
- While production in the service sector rose by 14 times, employment in the service sector rose around five times.
- People in the primary sector are underemployment/disguised unemployment.

**This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.**

#### Underemployment/disguised unemployment

- It is mainly founding in agriculture sector.
- This underemployment can also happen in other sectors.

**Example:** Casual workers (Painters, plumbers, repair persons and others doing odd jobs)

- They may spend the whole day but earn very little.



## SECTORS OF INDIAN ECONOMY

### PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA

## How to Create More Employment?

### Role of government

- **Providing irrigation facilities**

Reduction in disguised unemployment, employment in construction work.

- **Investment in transportation and storage facilities**

Employment to farmers and others involved in transport or trade.

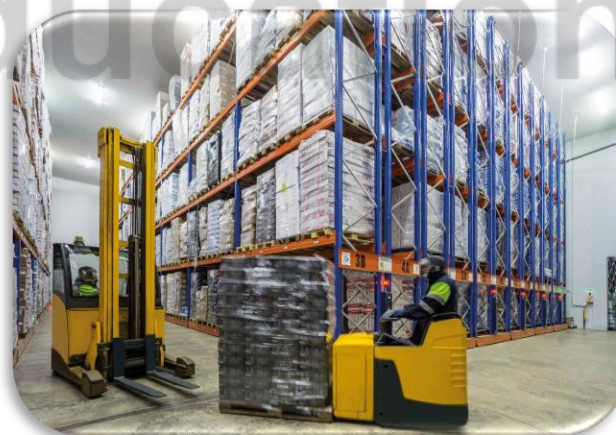


### Availability of cheap/credit loan

It is useful in buying equipment's and starting new work.

### Identify, promote, and locate industries (small scale industries)

- Food processing
- Cold chain storage

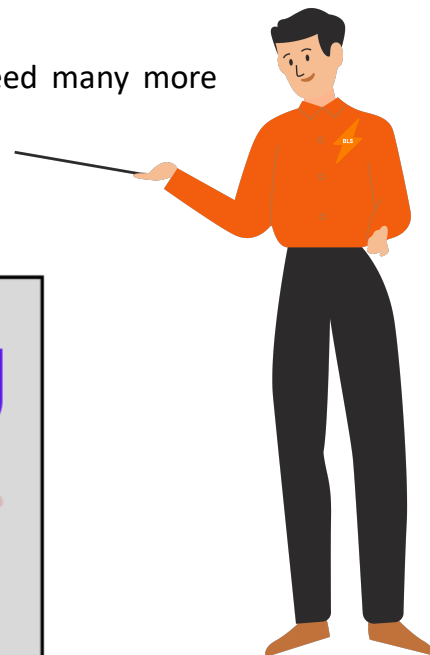


### Exploring new sectors for employment

## SECTORS OF INDIAN ECONOMY

### PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA

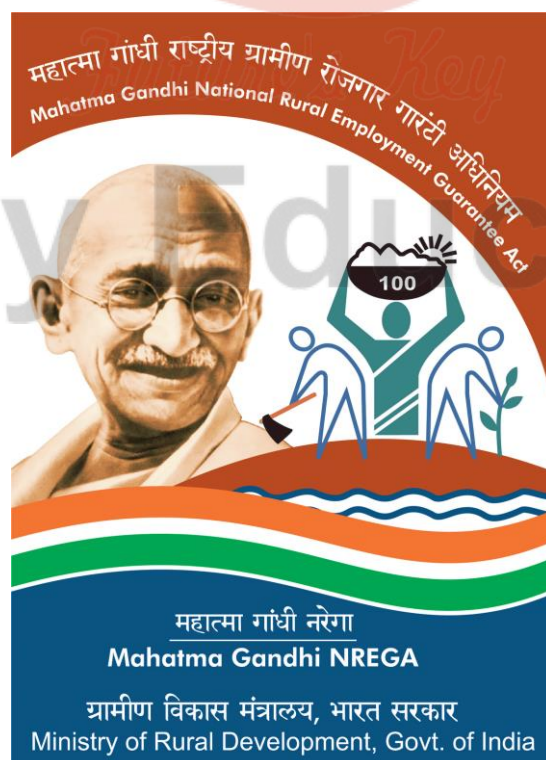
- Planning Commission (now known as NITI Aayog) estimates that nearly 20 lakh jobs can be created in the education sector alone.
- Similarly, if we are to improve the health situation, we need many more doctors, nurses, health workers etc. to work in rural areas.
- If tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.



- The suggestion discussed till now would take a long time to implement.
- For short term, we need some quick measures to solve the problem of unemployment.

Recognising this, the central government in India made a law implementing the Right to Work in about 625 districts of India.

### MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act, 2005)



**SECTORS OF INDIAN ECONOMY****PRIMARY, SECONDARY AND TERTIARY SECTOR IN INDIA****MGNREGA, 2005**

- Mahatma Gandhi National Rural Employment Guarantee Act 2005.
- It is a state funded work creation programme.
- Under MGNREGA 2005, all those who are able to, and are in need of, work in rural areas is guaranteed 100 days of employment in a year by the government.
- If the government fails in its duty to provide employment, it will give unemployment allowances to the people.
- The types of work that would in future help to increase the production from land will be given preference under the Act.



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## SECTORS OF INDIAN ECONOMY

### DIVISION OF SECTORS AS ORGANISED AND UNORGANISED

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**Kanta**

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.

**Kamal**

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.



Do you see the differences in the conditions of work between Kanta and Kamal?

Division of sectors of economy of the basis of work conditions.

### Organised and Unorganised sector comparison

Organised Sector	Unorganised Sector
<ul style="list-style-type: none"> <li>Terms of employment are regular, and people have assured work.</li> <li>They are registered by the government and have to follow its rules and regulations such as the Factories Act, Minimum Wages Act, payment of Gratuity Act, Shops and Establishments Act etc.</li> <li>Workers in the organised sector enjoy security of employment.</li> <li>They are expected to work only a fixed number of hours.</li> <li>If they work more, they have to be paid overtime by the employer.</li> <li>They get paid leave, payment during holidays, provident fund, gratuity etc., medical benefits.</li> <li>When they retire, these workers get pensions as well.</li> </ul>	<ul style="list-style-type: none"> <li>The unorganised sector is characterised by small and scattered units which are largely outside the control of the government.</li> <li>There are rules and regulations, but these are not followed.</li> <li>No job security.</li> <li>Jobs here are low-paid and often not regular.</li> <li>There is no provision for overtime, paid leave, holidays, leave due to sickness etc.</li> <li>Employment is not secure.</li> </ul>

**SECTORS OF INDIAN ECONOMY****DIVISION OF SECTORS AS ORGANISED AND UNORGANISED**

Organised Sector is most desirable but the employment opportunities in the organised sector have been expanding very slowly.

**How to protect workers the in the unorganised sector****Rural Area**

Landless agricultural labourers, small and marginal farmers, sharecroppers, and artisans belong to unorganised sector. Following steps should be taken by the government for their protection: -

- Timely delivery of seeds.
- Providing agricultural inputs.
- Cheap credits, storage facilities and marketing outlets.

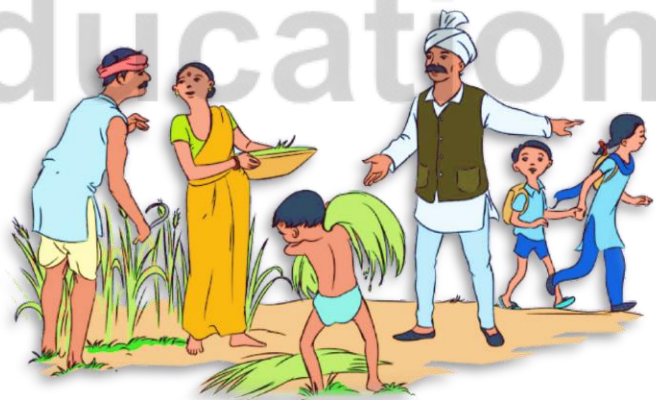
**Urban Area**

Workers in small-scale industry, casual workers in construction, street vendors, head load workers, garment makers, rag pickers etc. Workers from scheduled castes, tribes, and backward communities. Besides getting the irregular and low paid work, these workers also face social discrimination. Following steps should be taken by the government for their protection:

- Government should support in the procurement of raw material.
- Special government programme.

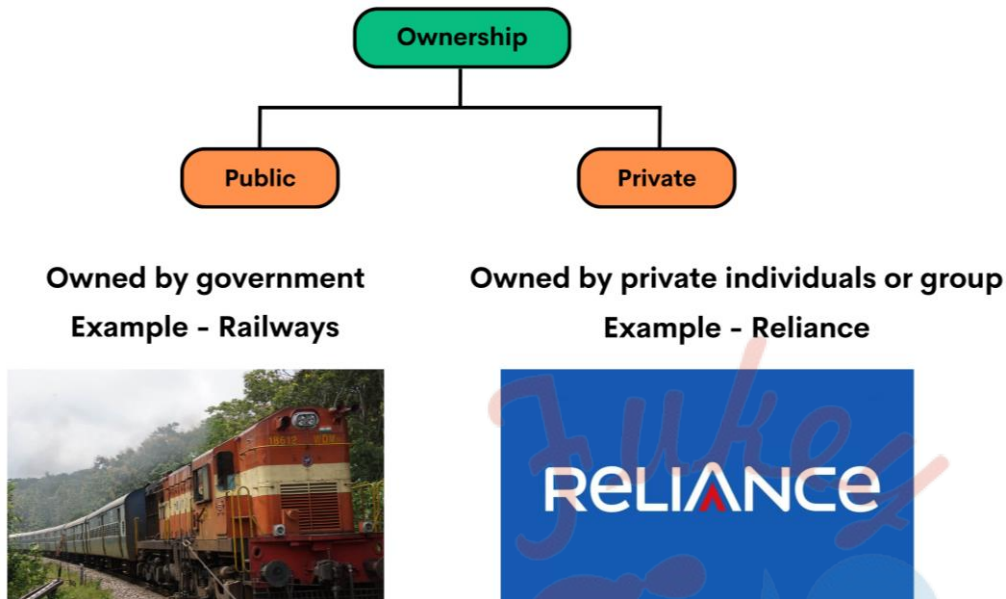


**Protection and support to the unorganised sector workers is thus necessary for both economic and social development.**



## SECTORS OF INDIAN ECONOMY

## SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTOR

SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTOR**Public sector - Service motive**

Sector in which the government owns most of the assets and provides all the services is called public sector. Railways or post office is an example of the public sector.

**Private sector - Profit motive**

Sector in which ownership of assets and delivery of services is in the hands of private individuals or companies is called private sector. Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

**Why is government needed to spend?**

1. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.

**For example,** electricity.

Hence, Governments have to undertake heavy spending and ensure that these facilities are available for everyone.

2. There are some activities, which the government has to support, activities like selling electricity at the cost of generation, PDS system, etc.

- The private sector may not continue their production or business unless government encourages it.



## SECTORS OF INDIAN ECONOMY

### SECTORS IN TERMS OF OWNERSHIP: PUBLIC AND PRIVATE SECTOR

- Many units, especially small-scale units, might have to shut down.

Therefore, Government has to bear part of the cost.



- There are a large number of activities which are the primary responsibility of the government. The government must spend on these.

**Example:** Health and education



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## SECTORS OF INDIAN ECONOMY

## MIND MAP

